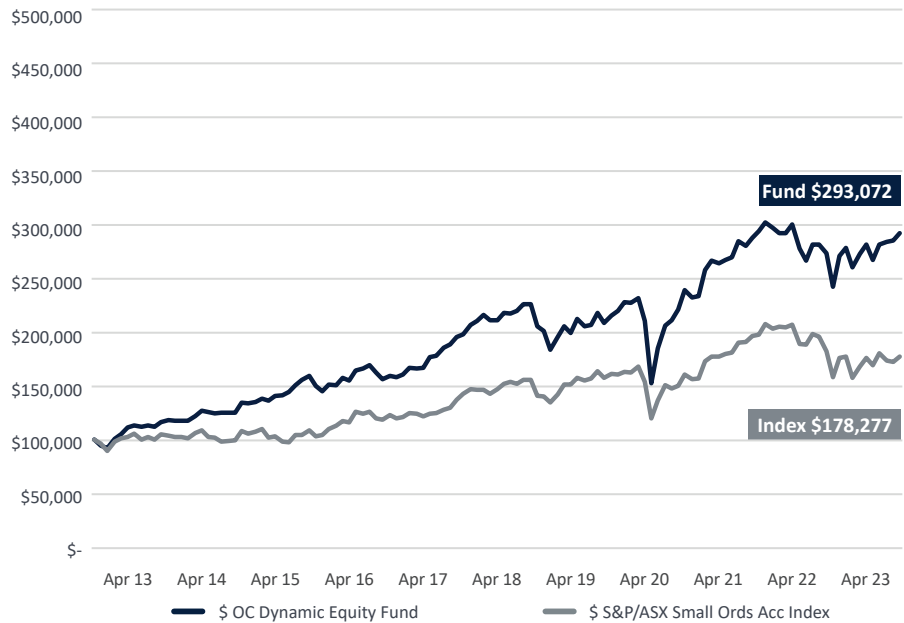


 Fund up 2.4% for the month
2.4%

 Returned 11.4% p.a. for the past 10 years
11.4%

 We remain confident the Fund will continue to deliver attractive long-term returns

Performance comparison of \$100,000 over 10 years*



Total returns

At 30 Apr 2023 [†]	1 mth %	3 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	10 yrs % p.a.	Incep. % p.a. (Dec 2000)
OC Dynamic	2.4	3.7	3.7	16.5	6.8	11.4	11.9
S&P/ASX Small Ords Accum	2.8	-1.7	-9.4	9.2	3.9	6.0	5.8
Outperformance	-0.4	5.4	13.1	7.3	2.9	5.4	6.1
S&P/ASX Small Ind Accum	3.6	-1.2	-7.6	6.3	3.0	6.0	5.8
Outperformance	-1.2	4.9	11.4	10.3	3.7	5.4	6.1

The total return performance figures quoted are historical, calculated using cum-distribution end-of-month hard-close mid-prices and do not allow for the effects of income tax or inflation.

Performance review

Global equity markets rallied in April as fears of a global banking crisis moderated and investors became more comfortable that peak interest rates were approaching in key markets such as the US. Global bourses that rallied in April included the US Dow Jones +2.5% and the S&P 500 +1.5%, the UK FTSE 100 +3.1%, the German DAX +1.9%, the Japanese Nikkei +2.9%, and our own ASX 200 +1.8%. The US first quarter reporting season is underway, with roughly 45% of S&P 500 companies reporting by the end of April. Results to date have moderately surprised on the upside with earnings numbers generally underpinned by margin resilience. This has engendered some confidence that the economic slowdown that is likely coming in the US will not deteriorate into a steep and protracted recession in the world's biggest economy.

The domestic small cap market also had a buoyant April with both the S&P/ASX Small Ordinaries Accumulation Index and the S&P/ASX Small Industrials Accumulation Index rallying, up 2.8% and 3.6% respectively. Corporate activity was again in focus in the small and micro-cap

end of the market with Blackmores (BKL) entering a Scheme Implementation Deed with Kirin Corporation and SILK Laser Australia (SLA) receiving a non-binding, indicative and conditional offer from Wesfarmers' (WES) subsidiary Australian Pharmaceutical Industries. This is hopefully a sign that some confidence is returning to the space following a difficult period since the beginning of calendar year 2022.

The OC Dynamic Equity Fund enjoyed a positive month, up +2.4%, although it did slightly lag both the small-cap indices. The Fund has preserved investors capital under the difficult equity market conditions of the past 12 months. The OC Dynamic Equity Fund is up +3.7% which is well ahead of both the S&P/ASX Small Ordinaries Accumulation Index and the S&P/ASX Small Industrials Accumulation Index which are down -9.4% and -7.6%, respectively, over the same time horizon.

Telix Pharmaceuticals (TLX, +47.1%) was an outstanding performer during the month with a series of positive

announcements focussing investor's attention on this profitable and well-funded biotechnology company. Regular readers will be aware that TLX is a late-stage bio-technology company specialising in cancer imaging and treatment via molecular targeted radiation (MTR). MTR is on the cusp of revolutionising the treatment of certain cancers, thereby avoiding the deleterious effect of chemotherapy and radiation therapy on healthy tissue surrounding certain tumours. During the month, TLX announced that the US FDA had expanded the label indication for Illuccix, its PET imaging agent for prostate cancer. Further, its Q1 global sales of Illuccix of \$100.1m comfortably exceeded consensus expectations driving material upgrades across the sell-side with the market now expecting the company to generate over \$100m in NPAT in FY24 (FY24 consensus = \$114m). Continued expansion in the total addressable market (TAM) (we now estimate this to be around US \$1.6b), label expansion and a Canadian launch (representing approximately 8% of US patient population) leaves TLX very well positioned to continue to surprise on the upside with Illuccix.

The TLX share price momentum has continued into May with the company announcing additional positive results from its pivotal Phase III ZIRCON study of its renal imaging agent (TLX250-CDx) in clear cell renal cell carcinoma. New data confirms its efficacy in masses 2cm or smaller. TLX250-CDx trial results met both primary and key secondary endpoints late last year which opens up a TAM of +US\$500m annually with no competing product currently approved in the space. TLX is expected to move towards FDA approval in late CY23 and commercial launch in H2 CY24. TLX remains well funded to execute on its robust pipeline of additional material opportunities in the growing field of radiopharmaceuticals which is attracting far greater attention from investors and regulators. Despite the share price rise, the company remains a key portfolio holding albeit we have trimmed our holding slightly into the share price strength.

TPG Telecom Limited (TPG, +10.0%) rose steadily over the month despite no news from the company. It is likely the stock price move was driven by a combination of factors including the favourable current trading conditions for TPG's Vodafone mobile business with benign competitive action and focus on the ongoing price increases of all carriers. In addition, management remuneration targets show an increased focus on generating a more acceptable return on invested capital, which presently is below the cost of capital for all Australian carriers, TPG included. To achieve the specified hurdle, TPG will have to drive significant earnings growth over the next few years, despite the company not providing guidance to the same effect. The other major telcos, Telstra and Optus, are also focusing on increasing returns so there is a reasonable prospect that the recent trend of higher plan prices

continues. TPG shares have been somewhat volatile recently after the ACCC provided an initial denial for the proposed regional mobile network sharing agreement with Telstra and investors more focussed on TPG's debt burden in a rapidly rising interest rate environment. Despite the share price rally during April, the stock remains well below its trading levels of 2021 and 2022 and we expect TPG's new vision of growth could help spur a recovery in investor sentiment toward the company.

As mentioned in our recent quarterly, the Fund has been selectively adding high-quality companies to the portfolio which have been sold down to what we consider attractive entry levels. **Lifestyle Communities (LIC, +6.7%)** is one such recent addition. LIC has a clear business strategy, solely focussed on the development and management of affordable housing communities for the 'over 50 year old market' in Melbourne and surrounding areas. The company has an outstanding track record of execution over the past 20 years and is managed by a highly regarded management team, led by co-founder and Managing Director, James Kelly. LIC is focused on the development of greenfield sites. Notwithstanding that these new sites may carry higher risk, they likewise offer higher returns compared to brownfield development. Furthermore, given LIC's outstanding track record and expertise developed over its years of experience, it allows for the development of a higher quality product and community.

The company's portfolio comprises of 28 communities in planning or development stage and established communities under management, with around 3,334 homes currently occupied. LIC has built a formidable reputation and brand in the local catchments it targets, such that a high percentage of sales originate via word-of-mouth referral. The LIC product provides a solution for the ageing population, particularly catering to a portion of the over 50s community who may be struggling with an increased cost of living driven by ongoing inflationary pressures. A home in one of LIC's communities is typically priced at 20-25% discount to the comparable house price in the catchment area. As such, a prospective occupant can sell his/her existing home to purchase a home within an LIC community, releasing equity within the existing home to fund a better lifestyle. At the same time, the individual can move into a brand-new house, in a well-resourced resort community amongst like-minded people.

LIC has several attractive business characteristics. Firstly, its able to fully recover the cost of the land and site development typically within a 3-5 year period, which it can then use to re-deploy into a new site. Secondly, LIC has a growing annuity stream in the form of rental income (which increases annually at a minimum of CPI or 3.5%) which LIC earns from homeowners for the lease of the site and general maintenance of the communities.

Thirdly, LIC makes a deferred management fee (DMF) of up to 20% on the re-sale of properties, which provides strong alignment with homeowners as LIC is incentivised to continue to maintain and reinvest into its communities. The opportunity to invest in LIC came as a result of a fall in the share price which we see as driven by concerns around the broader housing market, and slightly higher levels of debt on the company's balance sheet; both concerns seem overdone. Our entry price in LIC was around \$16 representing a FY25 PE (Price to Earnings) of 15x, which we see as attractive in the context of 15%+ earnings growth for LIC over the medium term, underpinned by its growing annuity stream and large land bank of 1900 homes in its pipeline.

Outlook

The end of a steep global interest rate hiking cycle is drawing nearer as inflation continues to moderate, but uncertainty within the banking sector and growing concerns about an economic recession in key western economies continues to cloud the outlook for equities. The critical US economy was already slowing ahead of any potential credit crunch resulting from the recent regional US bank failures. But the collapse of Silicon Valley Bank has set off a chain reaction, amplified by traditional and social media channels, which has led to a significant withdrawal of uninsured deposits from the regional and community banking system in the US. These banks are being forced to shrink their balance sheets and we will likely see a significant tightening of lending standards and a contraction in credit availability which could bring forward a possible recession in the US that we have foreshadowed in our monthly reports for some time now.

In the US, inflation continues to fall month on month, but core inflation, which removes volatile food and energy items, remains high at 5.6%. It is still well above the Federal Reserve's (the Fed's) two percent inflation target. The US central bank did what markets expected in early May, lifting interest rates for the 10th time in 14 months to a range of 5% to 5.25%. Fed chairman Jerome Powell acknowledged that the recent aggressive measures to tighten monetary policy had led to a constriction of credit, the implications of which could potentially lead to a "mild recession". Indeed, in the March Fed meeting, at least half of the bank's official projections implied that a recession was in their baseline forecast. Notwithstanding this, the Fed seems determined not to repeat the mistakes of 1970's Fed chairman Arthur Burns who took the foot off interest rates too soon and in doing so allowed a resurgence of inflation. After increasing rates by a substantial 500 basis points since March last year, Mr Powell indicated in early May that the Fed officials could take a step back and evaluate the effects of the higher interest rates on inflation and growth. It is likely that the end of the fastest tightening cycle in 40 years is

drawing nearer, although resilience in the labour market (with the jobless rate falling to 3.4% in early May post the Fed's commentary) means that the Fed may yet still have more work to do. While the March quarter US reporting season suggests the US consumer remains in reasonable shape, there is little doubt that economic growth is slowing, notwithstanding the buoyant labour market. OC Funds remain cautious on the outlook for the world's biggest economy, and we therefore remain underweight the region in our portfolio.

On the domestic front, headline inflation continues to fall with the March quarter CPI coming in at 7.0%, down from a 30-year high of 7.8% in the December quarter. Trimmed mean inflation, the RBA's preferred measure of underlying price pressures, slowed to 6.6% from 6.9%, slightly softer than consensus expectations of 6.7%. Whilst most economists had tipped that this would be sufficient to keep the RBA on hold for another month, it is likely they were spooked by services annual inflation which has become 'sticky' and recorded its largest annual rise since 2001, driven by higher prices for holiday travel, medical services, rents, and restaurant meals. The RBA surprised the markets by raising the cash rate to 3.85% in the beginning of May. The board issued a hawkish statement that refocused attention to the issue of persistent inflation, instead of the lagged impact of monetary policy which had previously been cited in prior more dovish commentary. The guidance from the RBA Board was that "[s]ome further tightening of monetary policy may be required to ensure that inflation returns to target in a reasonable timeframe, but that will depend upon how the economy and inflation evolve". This would seem to suggest that having been on a clear tightening trajectory, the path of rates going forward will be genuinely data dependant.

This week the Labor government hands down the Federal budget and the pre-budget PR machine has promised a series of measures designed to deliver cost of living relief and make the country more resilient in an uncertain economic environment. In terms of the OC Funds portfolio, there is not expected to be a great deal that moves the needle. Our aged-care exposure Estia Health ought to benefit from greater funding certainty and a planned government funded pay rise for aged care workers. Significantly, the Treasurer Jim Chalmers is expected to announce a balanced budget or Australia's first budget surplus in 15-years as strong tax receipts from the buoyant jobs market and windfall tax revenue from elevated coal, iron ore, gas and other commodities have swelled the government coffers. In a slowing economic environment, this is welcome news as it ought to allow the government the headroom to stimulate the domestic economy as GDP inevitably slows as interest rates increases start to bite.

Pleasingly, the economic news out of China has been strong since the start of the calendar year. Retail sales have rebounded strongly (+11%) off a low base and infrastructure investment remains robust, up 10% year on year in March. The crucial property sector is showing signs of life with property sales having turned positive for the first time since mid-2021, albeit new housing starts remain subdued. We expect the Chinese recovery to broaden in the coming months as the country continues to recover from the protracted COVID-19 lockdowns with consumers spending and with fiscal and monetary settings remaining accommodative. There is a growing sense of optimism that China economic re-acceleration ought to prove durable which will be supportive of both commodity prices and the Australian economy overall given that China remains comfortably our biggest trading partner.

Thematically, the Fund remains heavily tilted towards companies with non-cyclical earnings streams and pricing power. It remains our thesis that these stocks will outperform as key western economies inevitably slow and

companies with cyclical earnings come under pressure. During the month, we have continued to increase our exposure to quality growth businesses, with good levels of liquidity, with the interest rate cycle likely nearing a peak (e.g., HUB24 Limited, Lifestyle Communities and IDP Education). We have a long shopping list of quality businesses to buy once valuations reach more attractive levels and we have greater clarity on the economic outlook.

Top 5 holdings[#]

Company	ASX code
GQG Partners	GQG
Kelsian Group Ltd	KLS
Mineral Resources	MIN
Pexagroup	PXA
Seven Group Holdings	SVW

[#]The top 5 portfolio holdings are in alphabetical order and may not be representative of current or future investments.

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^{*}The total return performance figures quoted are historical, calculated using hard-close end-of-month mid-prices and do not allow for the effects of income tax or inflation. Total returns assume the reinvestment of all distributions. The performance is quoted net of all fees and expenses. The index does not incur these costs. This information is provided for general comparative purposes.

^{*}The performance comparison of \$100,000 over 10 years is for illustrative purposes only. All returns shown are based on Australian dollar figures. Past performance is not a reliable indicator of future performance. The total returns shown are prepared on an ongoing basis (i.e. they include all ongoing fees and expenses and assume reinvestment of all distributions). They do not take personal taxation into account. The comparison with the S&P/ASX Small Ordinaries Accumulation Index is for comparative purposes only. Index returns do not allow for transactional, management, operational or tax costs. An index is not managed and investors cannot invest directly in an index.

Past performance is not a reliable indicator of future performance. Positive returns, which the OC Dynamic Equity Fund (the Fund) is designed to provide, are different regarding risk and investment profile to index returns. Total returns are calculated after taking into account performance fees. Where OC Funds Management generates a return on the OC Dynamic Equity Fund over and above the performance hurdle of 15% in any financial year, a performance fee of 20.5% of all profits above this level is charged to the Fund directly. This document is for general information purposes only and does not take into account the specific investment objectives, financial situation or particular needs of any specific reader. As such, before acting on any information contained in this article, readers should consider the appropriateness of the information to their needs. This may involve seeking advice from a qualified financial adviser. Copia Investment Partners Ltd (AFSL 229316, ABN 22 092 872 056) (Copia) is the issuer of the OC Dynamic Equity Fund (ARSN 098 644 681). A current PDS is available from Copia located at Level 47, 80 Collins Street (North Tower), Melbourne VIC 3000, by visiting ocfunds.copiapartners.com.au or by calling 1800 442 129 (free call). A person should consider the PDS before deciding whether to acquire or continue to hold an interest in the Fund. Any opinions or recommendation contained in this document are subject to change without notice and Copia is under no obligation to update or keep any information contained in this document current.